

Draft Oklahoma Filing

- *Compute Retail Portion of Total Expense.* A special study is performed to identify the expenses of retail activities included in the marketing and services accounts (6610 and 6620). Retail marketing and services expenses are expressed as a ratio of total expenses to determine the relative proportion of total expense attributable to retail marketing and service activity.
- *Exclude Common Costs Allocable to Retail.* The ratio computed in the preceding step is applied to total common costs to remove the portion of common costs allocable to retailing activities.
- *Add General Supervision of Plant Operations Administration and Wholesale Marketing and Services.* Expenses in account 6534.2 and the residual, wholesale portion of accounts 6610 and 6620 are added to wholesale common costs. The resulting total common cost then is "grossed-up" for the Commission assessment.
- *Adjust Total Expenses to Remove Common Costs, Marketing and Services Expenses.* The amounts in accounts 6610, 6620, 6534.2, 6711, 6712, and 6721 - 6728 are subtracted from total expenses.
- *Apply Inflation Factors.* An inflation factor is applied to both common costs and the adjusted total expenses.
- *Compute Common Cost Fixed Allocator.* The last step is to compute the ratio of common costs to the adjusted total expenses.

Draft Oklahoma Filing

EXHIBIT 2 OKLAHOMA ARBITRATION COST STUDIES

1. Oklahoma Network Interface Device (NID) Cost Study, 1996-1999, November, 1996
2. Oklahoma Total Element LRIC (TELRIC) Unbundled 4-Wire Local Loop Cost Study, 1997-1999, March, 1997
3. Oklahoma Total Element LRIC (TELRIC) Unbundled Local Loop db Loss Conditioning Study, 1996-1998
4. Oklahoma Total Element LRIC (TELRIC) Unbundled Local Loop Study, 1996-1999
5. Oklahoma Unbundled Loop Crossconnect Study, 1997-1999, July 14, 1997
6. Oklahoma Local Switching Cost Study, 1997-1999, July 14, 1997
7. Oklahoma Unbundled Analog Line-Side Port Cost Study, 1997-1999, July 14, 1997
8. Oklahoma Unbundled Basic Rate Interface Port, 1997-1999, July 14, 1997
9. Oklahoma Unbundled Primary Rate Interface Port, 1997-1999, July 14, 1997
10. Oklahoma 2-Wire Analog Trunk Port (DID) 1997-1999, July 14, 1997
11. Oklahoma Unbundled Digital DS1 Trunk Port, 1997-1999, July 14, 1997
12. Oklahoma Unbundled Call Trace Per Activation Nonrecurring Costs, 1997-1999, July 14, 1997
13. Oklahoma Unbundled Basic Rate Interface Port Features Nonrecurring Cost, 1997-1999, July 14, 1997
14. Oklahoma Unbundled Primary Rate Interface Port Features Nonrecurring Cost, 1997-1999
15. Oklahoma Direct Inward Dialing Nonrecurring Costs, 1997-1999, July 14, 1997
16. Oklahoma Unbundled Local Switching Features Nonrecurring Cost Study, 1997-1999, July 14, 1997
17. Oklahoma Unbundled Local Switching Centrex-Like Features-Analog Cost Study, 1997-1999
18. Oklahoma Unbundled Local Switching Centrex-Like Features-ISDN Cost Study, 1997-1999
19. Oklahoma Tandem Switching Usage Cost Study, 1997-1999, July 14, 1997
20. Oklahoma Unbundled Common Transport, 1997-1999, July 14, 1997
21. Oklahoma Unbundled Dedicated Transport Total Element LRIC, 1997, July 14, 1997
22. Oklahoma LSP to SS7 STP Total Element LRIC (TELRIC), 1997-1999, September, 1996
23. Oklahoma Signaling System 7 (SS7) Transport Long Run Incremental Cost Study, 1997-1999, July 14, 1997
24. Oklahoma Signal Transfer Point (STP) Port Long Run Incremental Cost Study, 1997-1999, July 14, 1997
25. Oklahoma Line Information Data Base (LIDB) Long Run Incremental Cost Study, 1997-1999, July 14, 1997
26. Oklahoma LIDB SMS Long Run Incremental Cost, 1997-1999, July 14, 1997
27. Oklahoma Calling Name Delivery Query Long Run Incremental Cost Study, 1997-1999, July 14, 1997
28. Oklahoma Toll Free Calling Query Long Run Incremental Cost Study, 1997-1999, July 14, 1997
29. Oklahoma Directory Assistance, 1997-1999, July 14, 1997
30. Oklahoma Operator Work Seconds, 1997-1999, July 14, 1997
31. Oklahoma Local and IntraLATA Operator Assistance, Fully Automated Call, 1997-1999, July 14, 1997
32. Oklahoma Branding for Facility Based Providers, 1997-1999, July 14, 1997
33. Oklahoma External Rater/Reference Facility Based Forward Looking Long Run Incremental Cost Study, 1997-1999
34. Oklahoma Operational Support Systems Information Systems, Start Up and Ongoing Operational, Remote Access Facility, Helpdesk Cost Study, 1997-1999, July 14, 1997
35. Oklahoma Unbundled Service Order Cost Study, 1997-1999, July 14, 1997
36. Oklahoma Maintenance of Service Cost Study (LSPS), 1997-1999, July 14, 1997
37. Oklahoma Time and Material Cost Study (LSPS), 1997-1999
38. Oklahoma Basic Rate Interface Circuit Switched Voice/Circuit Switched Data Nonrecurring Cost Study, 1997-1999
39. Oklahoma Forward Looking Common Costs, 1996-1997, July 14, 1997
40. Oklahoma Unbundled Cross-Connect Study, 1997-1999, November 1997
41. Oklahoma External Rater/Reference Resellers, 1997-1999, December 9, 1996
42. Oklahoma White Pages for Others by Geographic Groups, 1997-1999, October 3, 1997
43. Oklahoma Interim Number Portability, 1996-1998, July, 1997

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
Application of SBC Communications Inc.,)
Southwestern Bell Telephone Company,)
and Southwestern Bell Communications)
Services, Inc., d/b/a Southwestern Bell Long)
Distance, pursuant to Section 271 of the)
Telecommunications Act of 1996 to Provide)
In-Region Originating, InterLATA Services)
in Oklahoma.)

CC Docket No. _____

AFFIDAVIT OF JAMES R. WATTS

STATE OF TEXAS)
) ss
CITY OF SAN ANTONIO)

I, James R. Watts, being first duly sworn upon my oath, do hereby depose and state as follows:

A. AFFIANT'S BACKGROUND AND DUTIES

1. My name is James R. Watts. I am Director-Sales Operations for Southwestern Bell Telephone Company ("SWB"). I have held this position since September 15, 1997.
2. In my current position I am responsible for ensuring that SWB complies with the obligations stated in Section 222 of the Telecommunications Act of 1996 ("1996 Act"), and the obligations that the Federal Communications Commission ("Commission") may impose as a result of any final order reflecting the Commission's interpretation and implementation of Section 222 in the proceeding

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known as In the Matter of Implementation of the Telecommunications Act of 1996: Telecommunications Carriers' Use of Customer Proprietary Network Information and Other Customer Information, Notice of Proposed Rulemaking, 11 FCC Rcd 12513 (1996) ("CPNI Rulemaking Proceeding") (see also, Public Notice: Common Carrier Bureau Seeks Further Comment on Specific Questions in CPNI Rulemaking, 12 FCC Rcd 3011 (1997)).

3. I received a Bachelor of Arts degree in Business Administration from Wichita State University in 1968. I have 29 years of experience with SWB and SBC Communications Inc. ("SBC"). I have held numerous positions in our Sales, Marketing, Information Systems and Finance organizations, and am authorized to submit this affidavit on behalf of SBC and each of its affiliates.

B. PURPOSE OF AFFIDAVIT

4. This affidavit demonstrates that SWB will comply with the requirements of Section 222 of the 1996 Act and with any final rules of the Commission. Section 222 sets forth, among other things, restrictions on the use of CPNI obtained by telecommunications carriers. This affidavit also discusses the relatively few formal and/or informal complaints alleging conduct on the part of SBC and/or its affiliates inconsistent with Section 222, that are pending either with the Commission or with any commission of a state in which the SBC BOCs do business.

C. COMPLIANCE MEASURES PREVIOUSLY UNDERTAKEN

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5. SBC has long committed its employees to complying with CPNI-related requirements, and it continues to emphasize that commitment. For example, excerpts from the June, 1997 SBC Code of Business Conduct (and prior editions), specifically address CPNI and state in part that "[t]here are various rules stating how the SBC companies may use customer proprietary network information. . . . These rules must be followed during and after your employment." Further excerpts emphasize that:

"It is also critical to SBC that we protect the privacy of all forms of customer communications - whether voice, data or image transmissions. This means:

- No employee shall gain access to, use or disclose information from customer proprietary information or any other proprietary information without a valid business reason.
-
- No employee shall disclose any information about customers' communications, transmissions, or information processing arrangements, unless required to do so by law or for the safety or protection of our customers, employees or property."

All employees are fully apprised that:

"Violations of any of the policies or principles contained in this [SBC Code of Business Conduct] booklet, or in other company rules and practices, can result in disciplinary actions, including dismissal and criminal prosecution."

6. In addition to the CPNI training SWB had previously provided its employees under the Commission's pre-Act CPNI rules, SWB more recently took further steps to ensure continuation of an appropriate level of awareness about

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CPNI compliance obligations. More particularly, SWB (1) developed a step-by-step CPNI Self Check and Administrative Guide to cover responsibilities and compliance steps required of all customer service/sales organizations (implemented September 15, 1995); (2) conducted a re-training session with each market region CPNI coordinator to address the total CPNI process and the duties outlined in the CPNI Self Check and Administrative Guide (conducted October 9 and 10, 1995); (3) conducted on-site reviews according to the CPNI Self-Check Guide (conducted January 1996); (4) implemented a CPNI compliance verification report process in which all market regions are required to report twice per year that the CPNI Self Check has been completed and that the organization is CPNI compliant (begun April 1996).

7. Consistent with Section 222 of the 1996 Act, SWB has notified all residence and single-line business customers in Arkansas, Kansas, Missouri, Oklahoma, and Texas of their CPNI rights, by means of a bill message. The accounts of customers who declined to allow SWB to access, use or disclose their CPNI have been classified as restricted accounts; such CPNI is regarded as subject to the prohibitions of Section 222 where customer "approval" is required but has not been obtained.

C. COMPLIANCE TRAINING COMMITMENTS

8. Each management employee of SBC and of each of SBC's affiliates will be provided a copy of Section 222, the Commission's rules interpreting and

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implementing Section 222, and a "user friendly" guide describing all of the relevant requirements under Section 222 and the Commission's rules.

9. Each such employee will be informed of all future modifications to the Commission's rules.
10. The documents referenced in paragraphs 5 and 6, above, will also be provided to new management employees of SBC and each of its affiliates, at the time they assume their management duties.
11. Additional training will be provided by the SBC Legal Department to those officers and managers having substantial responsibility for implementing the requirements of the 1996 Act and related federal and state requirements.
12. SBC will also ensure that the Commission's rules interpreting Section 222 of the Act will be incorporated into SBC's Code of Business Conduct. The revised Code of Business Conduct policy will be covered with all employees to ensure understanding and application to individual job duties. Violations will be punishable with appropriate disciplinary action up to and including dismissal.
13. SBC and each of its affiliates will utilize various other compliance techniques (e.g., articles in company publications and system safeguards such as periodic messages that appear when an employee logs on to company e-mail) to ensure that only employees having a legitimate business purpose to access, use or disclose

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CPNI will be authorized to do so, and only in accordance with Section 222 and the Commission's rules interpreting and implementing Section 222.

14. Under the direction of the SBC Legal Department, SBC will continue to use its existing internal audit group as an adjunct to its investigation and evaluation of any claimed violations of Section 222 or the Commission's CPNI rules. All reports claiming such a violation will be investigated and evaluated. If an investigation results in a finding that requires corrective action, a plan for corrective action will be formulated and implemented as soon as possible.

E. PENDING COMPLAINT MATTERS

15. No formal complaint relating to CPNI is pending against SWB, whether at the Commission or any state commission.
16. Upon information and belief, only one informal CPNI-related complaint pending before the Commission alleges conduct on the part of SBC or its affiliates inconsistent with Section 222 of the 1996 Act. This complaint, filed with the Commission on or about May 31, 1997 by Preferred Carrier Services, Inc. ("PCS"), alleged that SWB and/or an agent used PCS' CPNI to make sales presentations to customers of PCS.
17. SWB's August 31 response to PCS' complaint clarified that SWB used no CPNI generated as a result of any services PCS may have provided its end-users, but rather, provided Maritz Marketing Research, Inc. ("Maritz") very limited information regarding some of the accounts in which customers had chosen to

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disconnect their SWB local exchange service. This information, drawn from SWB's own service records, included the customer's name, telephone number, class of service (residence or business) and general location, all of which can be found in a typical telephone directory. Maritz used this information solely to perform objective, neutral opinion research surveys designed to assess customer satisfaction with SWB's services, not to make any sales presentations. SBC's position is that any company is free to use its own customer records in the manner that SWB used such records, and that SWB's conduct is consistent with Section 222 of the 1996 Act.

18. Upon information and belief, less than five informal complaints appear to have been filed since February 8, 1996 with state commissions (in the five states in which SWB provides local exchange service) that present CPNI-related disputes. None have led to a finding that SBC or any of its affiliates have engaged in conduct inconsistent with either Section 222 of the 1996 Act or the CPNI-related provisions of any state statutes or regulations.

Further affiant sayeth not.

James R. Watts

FINAL DRAFT
1/16/98

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Subscribed and sworn to before me this _____

day of _____, _____.

DRAFT

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
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Application of SBC Communications Inc.,)
Southwestern Bell Telephone Company,)
and Southwestern Bell Communications)
Services, Inc., d/b/a Southwestern Bell Long)
Distance, Pursuant to Section 271 of the)
Telecommunications Act of 1996 to Provide)
In-Region Originating, InterLATA Services)
in Oklahoma.)

CC Docket No. _____

AFFIDAVIT OF BARBARA L. WILKINSON

STATE OF TEXAS)
) ss
CITY OF SAN ANTONIO)

I, Barbara L. Wilkinson, being first duly sworn upon my oath, do hereby depose and state as follows:

A. AFFIANT'S BACKGROUND AND DUTIES

1. My name is Barbara L. Wilkinson. I am Director-Offer Management for SBC Operations, Inc. (SBC). I have held this position since July 1997.
2. In my current position I am responsible for bundling (packaging) of consumer products and services and for SBC's competitive response and customer winback plans.
3. I received a Bachelor of Science degree in French and Secondary Education from the University of Missouri-Columbia in 1971. I have 24 years of experience with Southwestern Bell Telephone Company (SWBT) and SBC. I have held numerous

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jobs in the Marketing, Human Resources, Information Services, Finance and Accounting organizations.

B. PURPOSE OF AFFIDAVIT

1. This affidavit describes the five state regional winback program in the SWBT territory (Arkansas, Kansas, Missouri, Oklahoma and Texas). California and Nevada are managed separately. This affidavit demonstrates that SBC's subsidiary, SWBT, has complied and will comply with the requirements of Section 222 of the 1996 Act, as well as with the Commission's rules interpreting and implementing Section 222, in the course of its winback of local service program.
2. This affidavit describes the regional program for the SWBT residential consumer market. The program for business customers is under development, and when implemented will follow the same standards outlined in this affidavit.

C. DESCRIPTION OF WINBACK PROGRAM

1. In mid September, 1997, SWBT initiated a winback program in Arkansas, Kansas, Missouri, Oklahoma and Texas targeted at former customers with good credit lost to competitive local service providers. These customers are identified through a competitive disconnect reason code on SWBT disconnect service order records. They receive a letter approximately three to five days after service is disconnected and SWBT records the disconnect. (Bilingual copies of the letters are sent to customers in the Hispanic market.) An 888 toll-free number is provided so that customers may call an in-bound telemarketing center to re-establish service or obtain additional information. SWBT's retail marketing group in charge of

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winback efforts does not have access to any CLEC-specific information. Instead, the letters focus generally on SWBT's capabilities and advantages, not mentioning any CLEC by name, nor making any specific service or price comparisons, nor disparaging CLECs as a group. The theme of the initial letter assures customers that SWBT is anxious to obtain and keep their business and invites their return. The letter verifies that disconnection was desired, expresses appreciation for having them as a customer and leaves open the door for their return to SWBT.

2. Telemarketing contacts to this same customer group are also based on SWBT disconnect records. The first call is placed approximately ten to fourteen days after the disconnection to customers not responding to the disconnect letter. Current promotional offers approved by regulators in the market area are frequently offered, such as waiver of installation charges on Caller ID, additional lines or SWBT's voice messaging affiliate's products and related discounts.
3. SWBT's experience has thus far shown that many customers are unaware that their service has changed and learn of the change through the disconnect letter. In addition, some customers have been given erroneous or misleading information (e.g., that SWBT is no longer providing service).

D. RESULTS OF WINBACK PROGRAM

1. In the state of Oklahoma, during the period beginning October 1 and ending December 31, 1997, 9 customers have chosen to return to SWBT as a result of winback efforts. This represents about 2.5% of the customers who reported they

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have disconnected for competitive reasons.

This concludes my affidavit.

Date: _____

WILKINSON
ATTACHMENT

1

Dear Customer:

We recently received a request to discontinue your local telephone service from Southwestern Bell.

If you have discontinued service voluntarily, please know that you have been a valued customer and you will be missed. Also know that we would very much like to have you back as a customer.

However, if your service has been discontinued without your knowledge or consent, please immediately contact us, toll-free, at 1-888-483-9340. Many of our customers recently have been victims of "slamming," or the illegal and unauthorized changing of their local phone service by a competing telecommunications company. Our research has shown that often, our customers are not even aware that a change to their service has been made until they receive a letter such as this or a final bill from Southwestern Bell Telephone. If you are a victim of "slamming," Southwestern Bell customer service representatives will help you return to your preferred provider – at no cost to you – and assist you in receiving reimbursement if you were charged for making the unauthorized change.

If you have voluntarily discontinued service with Southwestern Bell and wish to return to us – now or in the future – you'll receive a warm welcome and a pledge that we'll do everything possible to meet your expectations for local telephone service. If you wish to re-establish service now, we'll make it easy. Just call us, toll-free, at 1-888-483-9340.

For more than a century, Southwestern Bell has taken great pride in providing high-quality, reliable local telephone service backed by superior customer service. We strive to continue that heritage of service each and every day to each and every customer. That's a pledge from Southwestern Bell, Your Friendly Neighborhood Global Communications Company.

We hope we are able to provide local phone service to you again – or help you if your service has been changed without your permission. Again, call us at 1-888-483-9340 and a Southwestern Bell customer service representative will be happy to help you.

Sincerely,

<Signature>

Name

Dear Customer:

We are pleased that you have decided to continue receiving local telephone service from Southwestern Bell – or have had your service restored.

If you voluntarily discontinued service and later decided to return to Southwestern Bell, we are delighted to have you back as a customer! Know that in the days, months, and years to come, we'll work hard to meet your expectations for quality, reliability, and value. In fact, we're prepared to do everything possible to keep you a satisfied customer.

If your local phone service was changed without your knowledge or consent by a competing telecommunications provider, we regret any inconvenience this has caused. Such unauthorized changes made without the customers consent are know as "slamming." We hope that you were satisfied with our assistance in restoring your service and helping you receive reimbursement for any charges related to the unauthorized change. "Slamming" is a significant and growing problem across the country and Southwestern Bell is working hard to educate its' customers about how to prevent it and to persuade federal and state authorities to strenthen laws and penalties against companies who clearly violate a customer's right to choose a telecommunications provider.

Now that you're back, we'd like to share this promise with you. You can trust us to provide the best telecommunications services possible – and you can count on us to honor your right to choose a telecommunications provider. If we can answer any questions you have or provide you with any further information, please feel free to contact us at 1-888-483-9340.

Thanks again and welcome back to Southwestern Bell, Your Friendly Neighborhood Global Communications Company.

Sincerely,

<Signature>

Name